

Message Text

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ACTION EUR-25

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AMEMBASSY DUBLIN
USMISSION GENEVA
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LISBON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY PARIS
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C O N F I D E N T I A L OTTAWA 1723

E.O. 11652: GDS

TAGS: PFOR, CA, ETRD

SUBJECT: CANADIAN-EC RELATIONS

REF: STATE 110846

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1. ECON COUNSELOR DISCUSSED CANADIAN AIDE MEMOIRE TO EUROPEAN COMMUNITIES ON JUNE 4 WITH PAM MCDUGALL, DIRECTOR GENERAL, BUREAU OF ECONOMIC AND SCIENTIFIC AFFAIRS, EXTAFF. JOHN ROBINSON, ONE OF EXTAFF'S COMMERCIAL POLICY EXPERTS, SAT IN ON MEETING. MISS MCDUGALL EMPHASIZED THAT CANADA WAS SEEKING A "POLITICAL MANIFESTATION OF WILLINGNESS OF TWO SIDES TO HIGHLIGHT IMPORTANCE OF BILATERAL RELATIONSHIP." SHE NOTED THAT EC IS RELATIVELY NEW PHENOMENON ON INTERNATIONAL SCENE. CANADA HAS LONG HAD FORMAL BILATERAL TIES WITH INDIVIDUAL MEMBER STATES BUT HAS NOT YET ESTABLISHED SUCH TIES WITH EC ITSELF. AIDE MEMOIRE FOCUSES SPECIAL ATTENTION ON TRADE AGREEMENT, SHE SAID, BECAUSE THIS IS ONE AREA WHERE MEMBER STATES HAVE DELEGATED RESPONSIBILITY TO EC AND CONSEQUENTLY IS AREA WHICH GOC CONSIDERS OF MOST IMPORTANCE IN CANADIAN-EC RELATIONS AT PRESENT TIME. CANADIAN APPROACH DOES NOT REPRESENT ANY TURNING AWAY FROMOR DIMINUTION OF INTEREST IN MULTILATERAL INSTITUTIONS SUCH AS GATT AND OECD; ON CONTRARY, CANADA CONTINUES TO ATTACH AS MUCH AND PROBABLY MORE IMPORTANCE TO THESE THAN DOES ANY OTHER COUNTRY INCLUDING THE U.S.

2. WITH RESPECT TO SPECIFIC QUESTIONS RAISED REFTEL, MISS MCDUGALL SAID IT IS DIFFICULT TO FORMULATE CLEAR-CUT ANSWER TO QUESTIONS SUCH AS WHY CANADA "NEEDS" TO UNDERPIN OR ESTABLISH NEW JURIDICAL BASIS FOR CANADA-EC TRADE RELATIONS OR "REQUIRES" IMPROVED CONSULTATION ARRANGEMENTS. CANADA'S INITIATIVE IS NOT STIMULATED BY PARTICULAR DEFICIENCIES IN PRESENT ARRANGEMENTS BUT RATHER BY THOUGHT THAT ANYTHING THAT CAN BE DONE TO CLARIFY AND STRENGTHEN RELATIONS CAN ONLY HELP AND NOT HINDER DEVELOPMENT OF THESE RELATIONS IN FUTURE.

3. STATEMENT IN AIDE MEMOIRE THAT TRADE AGREEMENT WOULD COMPLEMENT RATHER THAN SUPERSEDE EXISTING TRADE AND COMMERCIAL ARRANGEMENTS WAS INTENDED
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TO HIGHLIGHT DISTINCTION BETWEEN RESPONSIBILITIES DELEGATED TO EC AND THOSE RETAINED BY MEMBER STATES. CANADA HAS TRADE AGREEMENTS OR CONVENTIONS WITH BELGIUM-LUXEMBOURG, DENMARK, FRANCE AND THE NETHERLANDS (AGREEMENTS WITH U.K. AND IRELAND WERE TERMINATED IN 1973) WHICH IN SOME CASES DEAL WITH MATTERS OUTSIDE EC COMPETENCE. CANADA WANTED TO MAKE CLEAR THESE WOULD NOT BE EFFECTED.

ROBINSON CITED AS EXAMPLE PROVISIONS IN AGREEMENT WITH FRANCE RELATING TO "APPELLATIONS." AS FAR AS CONTENT OF AGREEMENT IS CONCERNED, THIS IS SUBJECT FOR DISCUSSION BUT ROBINSON CALLED ATTENTION TO STATEMENT IN AIDE MEMOIRE THAT GATT RIGHTS

AND OBLIGATIONS SHOULD NOT BE AFFECTED, AND THAT TO EXTENT TRADE AGREEMENT WAS TO DEAL WITH TRADE RULES IT SHOULD BE BASED ON GATT PROVISIONS. HE AND MISS MCDUGALL STRESSED THAT CANADA IS NOT SEEKING NEW RULES IN THIS CONTEXT AND THEY CHARACTERIZED AS "RIDICULOUS" AND WITHOUT FOUNDATION SPECULATION THAT HAD APPEARED IN SOME PRESS ARTICLES THAT CANADA WAS SEEKING PREFERENTIAL TREATMENT FROM EC.

4. RE CONSULTATIONS, GOC ALREADY HAS MEETINGS ABOUT EVERY SIX MONTHS WITH EC COMMISSION, AS DOES U.S., FOR EXCHANGE OF VIEWS ON OUTSTANDING QUESTIONS. GOC ENVISAGES THAT PROPOSED TRADE AGREEMENT WOULD MERELY PUT FORMAL UMBRELLA OVER THESE EXISTING AD HOC ARRANGEMENTS BY INCLUDING A CLAUSE SPECIFYING THAT THE TWO PARTIES WOULD CONSULT AT REGULAR INTERVALS. SUBJECT OF CONSULTATIONS WOULD BE, AS NOW, LIMITED TO MATTERS WITHIN COMPETENCE OF EC. (MISS MCDUGALL NOTED THAT U.S. APPEARED TO BE INTERESTED IN BROADER RANGING CONSULTATIONS OF MORE "POLITICAL" NATURE.) IF AND WHEN MEMBER STATES DELEGATE ADDITIONAL RESPONSIBILITY TO EC, SUBSTANTIVE CONTENT OF CONSULTATIONS AND PERHAPS AGREEMENT ITSELF COULD BE EXPANDED. "OTHER FIELDS" FOR ECONOMIC COOPERATION COULD INCLUDE, FOR EXAMPLE, INDUSTRIAL DEVELOPMENT AND INVESTMENT POLICY BUT THIS WILL DEPEND ON CONFIDENTIAL

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EVOLUTION OF EC.

5. MISS MCDUGALL SAID THAT INITIAL INFORMAL EUROPEAN REACTION TO CANADIAN APPROACH HAD BEEN "UNANIMOUSLY SYMPATHETIC AND POSITIVE" BUT THE EUROPEANS HAVE MADE NO DETAILED RESPONSE YET. SHE COULD NOT PREDICT HOW FAST PROGRESS MIGHT BE MADE AND SAID THIS WOULD DEPEND ON EUROPEANS. GOC HOPED EC WOULD GIVE SOME PRIORITY TO QUESTION. (COMMERCIAL COUNSELOR OF GERMAN EMBASSY IN OTTAWA TOLD EMBOFF THAT HE HAD BEEN ASKED TO PUT TOGETHER BACKGROUND REPORT ON CANADA'S CONSULTATIVE ARRANGEMENTS WITH OTHER COUNTRIES FOR USE IN BONN. HE COMMENTED THAT SCHEEL IN CAPACITY AS FOREIGN MINISTER HAD BEEN VERY POSITIVE TOWARDS IDEA OF IMPROVED CONSULTATIONS

WITH CANADA BUT ELSEWHERE THERE HAS BEEN NO GREAT ENTHUSIASM. HE ANTICIPATED THAT PROGRESS WOULD BE RATHER SLOW ON EC SIDE.)

6. COMMENT: CONVERSATION CONFIRMED EMBASSY'S IMPRESSION THAT CANADIAN APPROACH TO EC WAS BASICALLY POLITICAL ACT STIMULATED BY U.S. EC TALKS ON POSSIBLE JOINT DECLARATION AND DESIGNED IN PARTICULAR TO HIGHLIGHT INDEPENDENT CANADIAN PRESENCE IN NORTH AMERICA WHICH WORTHY OF FORMAL RECOGNITION BY EC. TRADE AGREEMENT PROPOSAL SHOULD BE VIEWED IN THIS CONTEXT RATHER THAN AS SOMETHING JUSTIFIED BY LOGIC OF TRADE POLICY CONSIDERATIONS. THERE WOULD APPEAR TO BE NO CAUSE FOR U.S. CONCERN IF TRADE AGREEMENT MERELY REAFFIRMS EXISTING RULES, DOES NOT AFFECT GATT RIGHTS AND OBLIGATIONS, AND CONTAINS NO PREFERENTIAL PROVISIONS. WE HAVE NO REASON TO DOUBT CANADIANS' CONTENTION THAT THIS IS THEIR INTENT. USG SHOULD, OF COURSE, KEEP CLOSE EYE ON DEVELOPMENTS TO ENSURE THAT IF AND WHEN AGREEMENT IS NEGOTIATED IT IS AS INNOCUOUS AS CURRENTLY PORTRAYED.
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